

SPECIAL EDITION PERAC HOSTS 2ND ANNUAL EMERGING ISSUES FORUM

Worcester Event Attracts Over 200

On June 28, 2005, the Public Employee Retirement Administration Commission (PERAC) hosted its second annual Emerging Issues Forum at the College of the Holy Cross in Worcester, Massachusetts. More than 200 people attended the event, including public retirement board members and administrators, municipal and state officials, and others in the public pension community. This year, under the banner of *Health Care: Implications for Public Plans*, the Forum focused on two major topics: "Workplace Health Challenges" and "Accounting for Other Post-Employment Benefits."

In his opening remarks, PERAC Executive Director Joseph E. Connarton explained that the primary purpose of the Forum series was to provide retirement systems with leading-edge information on topics that might not have yet drawn their attention. ***(Continued on page 2)***



Over 200 members of the public pension community attended the event.

Public Employee Retirement Administration Commission

Five Middlesex Avenue, Third Floor
Somerville, MA 02145
ph 617 666 4446
fax 617 628 4002
web www.mass.gov/perac

- The Honorable Domenic J. F. Russo
Chairman
- The Honorable A. Joseph DeNucci
*Auditor of the Commonwealth
Vice Chairman*
- Henry G. Brauer
Investment Professional
- Kenneth J. Donnelly
*Lieutenant
Lexington Fire Department*
- Eric Kriss
*Secretary
Executive Office of Administration
and Finance*
- James M. Machado
*Sergeant
Fall River Police Department*
- Donald R. Marquis
*Former Town Manager
Arlington*
- Joseph E. Connarton
Executive Director



PERAC HOSTS 2ND ANNUAL EMERGING ISSUES FORUM (CONT.)

(From page 1)

Mr. Connarton stated, “Under the new Governmental Accounting Standards Board (GASB) Statement 45, state and local governments will be required to account for the liabilities of retiree health care on their financial statements. This is a major, if not monumentally important, new development. For the first time, due to this GASB Rule, the hidden costs of retiree health care will be brought into full view. The fallout of this sunshine step will be far-reaching. Of course, the impetus will then be toward addressing this unfunded liability as we have addressed the pension unfunded liability—and the costs could be enormous.”

Mr. Connarton pointed out, “While technically these are not ‘retirement’ issues per se and do not impact Chapter 32 directly, they are important tangential issues that we feel clearly warrant our attention and yours.”

The Honorable Domenic J. F. Russo, PERAC Chairman, noted that Mr. Connarton “always has an eye and an ear toward evaluating what impact each and every PERAC initiative will have on the boards—and whether these impacts are rational, reasonable, doable, and in the best interest of the systems, and of course, the ultimate beneficiaries of our actions, the retirees.”

J. Richard Johnson, Senior Vice President and Public Sector Health Practice Leader of an internationally recognized actuarial and consulting firm, The Segal Company, was the Forum’s Keynote Speaker. Mr. Johnson provided an “Overview of Emerging Health Care Issues from a National Perspective”.

Mr. Johnson presented some startling statistics, “In 1980, health care spending was 7% of Gross Domestic Product (GDP). By 2004, it was more than 15% of GDP. By 2006, [it will] reach \$2.5 trillion in the US. That is equal to about \$10,300 per person per year.”

Mr. Johnson pointed out that the cost of family health insurance is rapidly



Keynote speaker: Segal Company Senior VP & Public Sector Health Practice Leader J. Richard Johnson



Clockwise from top left: Dr. Glenn Pransky, Dr. Larry Catlett, Dr. Stephen Kales, PERAC Executive Director Joseph E. Connarton, Dr. John W. Burrress, and PERAC Chairman Domenic J. F. Russo

approaching the gross earnings for a full-time minimum wage worker. In 2004, the average annual family health premium was \$10,000; It has doubled since 1999. In summing up the stark reality that confronts state and local government, Johnson stated, “It’s going to be an in-your-face political issue with no easy solution.” Johnson offered recommendations about what public employers can and should do: including balancing cost

control and cost shifting, and providing insurance programs that appeal to specific demographic groups.

His presentation was followed by a physicians panel moderated by Dr. John Burrress, Medical Director of Boston Medical Center’s Occupational & Environmental Medicine Department.

(Continued on page 3)

PERAC HOSTS 2ND ANNUAL EMERGING ISSUES FORUM (CONT.)

(From page 2)

Dr. Glen Pransky, Director of the Liberty Center for Disability Research, spoke about the demographics of America's aging workforce, age-related changes and work capacity, workplace risk reduction strategies, disability management, and wellness.

Dr. Stephen Kales, Medical Director of Employee & Industrial Medicine at the Cambridge Health Alliance, spoke about the extraordinary work pressures faced by firefighters. He pointed out that municipal firefighters must wear heavy equipment, engage in heavy physical exertion on an irregular basis, endure extreme heat, experience fluid losses, sustain smoke exposure, and move rapidly into dangerous situations. According to Dr. Kales, 1 in 10,000 US firefighters die each year on-duty. The most common cause is coronary heart disease, which was responsible for 45% of on-duty deaths between 1977 and 2000. Kales listed potential personal risk factors for heart disability and death including high prevalence of obesity and hypercholesterolemia, untreated hypertension, and the fact that most firefighters do not receive regular periodic examinations or regular physical training. According to Dr. Kales, "89% of Massachusetts firefighters are in departments with *no* program to maintain basic health and fitness." Dr. Kales, who used PERAC data in conducting original research on firefighters, closed his presentation by recommending preventative steps such as fitness promotion and medical screening.

Dr. Larry Catlett, Medical Director of Occupational Medical Consulting, highlighted the results of Cianbro Corporation's award-winning intervention program. He outlined the steps involved in "engineering a healthy workforce" and shared information about achieving successful outcomes.

During the Forum's afternoon session, Mr. Karl Johnson, Project Manager, and Michelle L. Czerkawski, Assistant Project Manager from the Governmental Accounting Standards Board provided an



Left to right: Buck Consultants Director & Consulting Actuary Daniel W. Sherman, PERAC Executive Director Joseph E. Connarton, Massachusetts State Comptroller Martin J. Benison, and Massachusetts Municipal Association Legislative Division Director David Baier



Governmental Accounting Standards Board Project Manager Karl Johnson

overview of GASB Statement 45 and furnished details about its financial reporting objectives. GASB staff have recently completed a *Guide to Implementation of GASB Statements 43 and 45 on Other Postemployment Benefits* that includes over 200 questions and answers on Statement 45. To order this publication, interested parties should go to the GASB Web site, www.gasb.org.

Daniel W. Sherman, a Director & Consulting Actuary from Buck Consultants, helped the audience to further appreciate the actuarial impact of GASB 45. He outlined the broad steps that must be taken and provided some data from case studies, including one involving the town of Wellesley. Mr. Sherman discussed lessons learned from the private sector and potential responses.

(Continued on page 4)

PERAC HOSTS 2ND ANNUAL EMERGING ISSUES FORUM (CONT.)

(From page 3)

Martin Benison, Comptroller of the Commonwealth of Massachusetts, described GASB 45 as addressing the

last large unrecorded liability—one with dimensions in the billions of dollars. Mr. Benison identified the most pressing issues with which governments should

now be concerned: ascertaining the location of data, engaging an actuary, working with auditors, finding a funding resource, and understanding contracts. He emphasized that working with all stakeholders, including both inside entities—such as retirement boards, human resources, and benefits administrators—as well as outside entities—actuaries and auditors—is essential to achieve success.

David Baier, Director of the Legislative Division of the Massachusetts Municipal Association, spoke about Rule 45's implications for local government. Mr. Baier discussed legislative initiatives and emphasized the need to work together.

Requests for Slides

PERAC has received many requests for copies of the slide show presentations featured at the Forum. As one retirement board member noted, "If we have access to the slide shows, it would help bring the information back to the town fathers."

We are currently seeking permission from our speakers to share their slides. We hope to make them available on CD in the near future to all those who attended the Forum and to anyone else who is interested.

PERAC's Goal

In keeping with the Commission's long-standing goal, PERAC will continue to provide information and analysis to the retirement boards to better enable them to carry out their critical fiduciary responsibilities. To further that objective, PERAC will host an Emerging Issues Forum in 2006. We wish to thank all the speakers and the attendees who participated in the 2005 Forum and we look forward to seeing all of you at next year's event.



Dr. Larry Catlett



Massachusetts State Comptroller Martin J. Benison